

Message Text

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E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: MARCH 22-23 MEETING OF UP-3 EXPERTS ON MEDIUM-
TERM PROJECTION OF BALANCE OF PAYMENTS

REF: (A) OECD 8765 (B) 9724

1. COMMENTS FOR SECRETARIAT (FAY) REQUESTED REFTEL B ON
CHAIRMAN'S REPORT ON THE MARCH 22-23, 1977 MEETING OF WP-3
EXPERTS FOLLOW:
2. INTRODUCTORY NOTE CHANGE TO, "THIS REPORT HAS BEEN PRE-
PARED BY THE CHAIRMAN OF THE MEETING (MR. FAY), AS REQUEST-
ED BY THE EXPERTS. IT WAS CIRCULATED IN DRAFT TO THE
EXPERTS TAKING PART IN THE MEETING AND THEIR COMMENTS HAVE
BEEN TAKEN INTO ACCOUNT."
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3. PARAGRAPH 2, SUB-HEADING 5: DELETE SOMEWHAT.
4. PARAGRAPH 3: A SENTENCE SHOULD BE ADDED CONCERNING
THE "BOUNDARY CONDITION" FOR THE SMALLER OECD COUNTRIES.
IN THE MEETING THERE WAS AGREEMENT THAT THE OUTCOME PRE-
SENTED FOR THESE COUNTRIES IN CPE/WP-3(77)1 WAS NOT

FEASIBLE. IT IS NOT CLEAR THAT IT WAS FURTHER DECIDED

THAT ANY REVISIONS SHOULD IMPOSE A FEASIBLE OUTCOME FOR THESE COUNTRIES, OR IF THIS FEASIBILITY WAS ONLY TO BE IMPOSED IN SCENARIO IV. SOME STATEMENT -- IN ADDITION TO THE AFTERTHOUGHT IN PARAGRAPH 7 -- IS NEEDED.

5. PARAGRAPH 5: AS REGARDS ASSUMPTION ON EXCHANGE RATE CHANGE THE ONLY "NEUTRAL" VARIANTS ARE:

- A) UNCHANGED NOMINAL EXCHANGE RATES
- B) UNCHANGED REAL EXCHANGE RATES.

USE OF ANY OTHER ASSUMPTION INTRODUCES A NORMATIVE ELEMENT WHICH MOVES THE EXERCISE CLOSER TO FORECASTING AND AWAY FROM THE SIMULATION ORIENTATION WE ARE TRYING TO PRESERVE. AGREE THAT WP NEEDS TO BE CONSULTED ON THIS.

6. PARAGRAPH 6, CASE IV: U.S. UNDERSTANDING OF THE SCENARIO WAS SOMEWHAT DIFFERENT. THE TERMINAL OUTCOMES WOULD REFLECT NORMS FOR THOSE COUNTRIES WHICH HAVE SPECIFIC BALANCE OF PAYMENTS AIMS, AND WOULD INCLUDE SUSTAINABLE POSITIONS FOR THOSE COUNTRIES MAKING UP THE "BOUNDARY" (LDC'S, OPEC, AND SMALLER OECD.) WE DO NOT THINK THAT THE MEETING COMMITTED ITSELF TO ESTABLISHING, IN THIS SCENARIO, WHAT "SUSTAINABLE" OUTCOMES WOULD BE FOR EACH COUNTRY. RATHER, THE TERMINAL POSITIONS FOR THOSE COUNTRIES WHICH DO NOT HAVE NORMS WOULD BE DETERMINED RESIDUALLY BY THE PARAMETERS AND THE CONSTRAINTS IMPOSED LIMITED OFFICIAL USE

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BY THE OUTCOMES FOR THOSE COUNTRIES WHICH DO HAVE NORMS. SUBSTITUTE "BASE CASE" FOR "REFERENCE CASE".
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